



HFM 180 Technical Course on “Strategies to Address Recruiting and Retention in the Military”

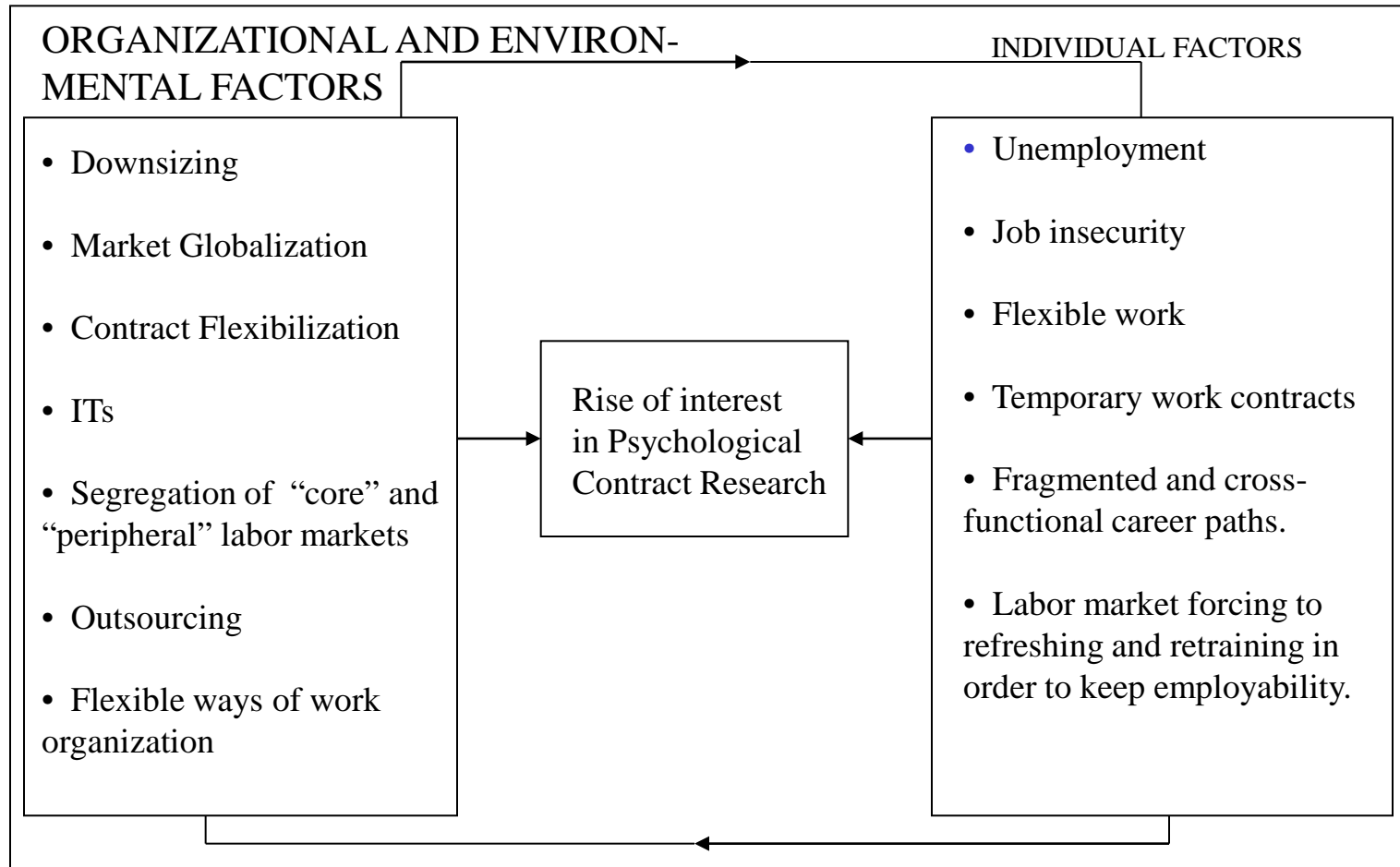
THE PSYCHOLOGICAL CONTRACT

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Why interest in Psychological Contract Research is rising?



Outline

- Defining psychological contract
- Types of contracts
- Development
- Content
- Functions
- Past v emergent forms of PC: A New Deal
- PC and outcome variables
- Breach and violations of PC
- Conclusions
- Practical implications and recommendations



Definition

In broad terms, the Psychological Contract is the implicit and core component of labor relationships.

Definition

Rousseau (1995) defined initially the psychological contract as a set of person's individual beliefs regarding the reciprocal obligations and benefits established in an exchange relationship.

Definition

McLean Parks, Kidder and Gallagher (1998) defines PC in terms of the reciprocal expectations hold between employees and employers concerning their obligations and rights.

Definition

Also Rousseau (1995) refers to PC as a mental model an individual uses in order to frame events such as promises made, acceptance conditions and trust setting.

Definition

Contrary to formal or explicit* contract, PC is essentially perceptual, hence its interpretation by one party does not necessarily needs to be shared by the other party (Robinson, 1996).

Definition

- Expectations or beliefs are used as points of reference against which the employee compares his/her work experience, the employer's behavior (or that of other organization agents involved in the PC), and the extent to which promises and obligations are held.
- As a result of this comparison, different adjustments/ changes in expectations and beliefs can be made if discrepancies exist between what is expected and what is achieved. This connects to the theory of equity and to Festinger's cognitive dissonance theory.

Definition

Guest (1998a) makes some interesting points about PC definitions:

- They imply different contents: beliefs, perceptions, expectations, promises and obligations. This in turn may imply different levels of psychological commitment.
- The existence of conflicting conceptions of the relationship underlying the PC –unilateral (focus on the individual) or bilateral (focus on the relationship).
- The problem of the “organizational agent”

Types

| | | LEVEL | |
|------|----------|--|--|
| VIEW | | INDIVIDUAL | GROUP |
| | INTERNAL | Psychological Individual beliefs about promises made and accepted, and the trust between individuals and organization. | Normative Shared psychological contract that emerges when members of a group, organization, work unit or team have common beliefs. |
| | EXTERNAL | Implicit Understanding of third parties (e.g., jurists, analysts, peers, etc.) about contractual terms. | Social General beliefs about obligations connected to the values of a particular society. |

Source: Alcover, 2002 (adapted from Rousseau, 1995)

Types: The Transactional-Relational Continuum

| Transactional terms | Dimension | Relational terms |
|------------------------|-------------------|------------------------|
| Economic | ← Focus → | Economic, Emotional |
| Partial | ← Inclusion → | Whole person |
| Closed-ended, specific | ← Timeframe → | Open-ended, indefinite |
| Written | ← Formalization → | Written, unwritten |
| Static | ← Stability → | Dynamic |
| Narrow | ← Scope → | Pervasive |
| Public, observable | ← Tangibility → | Subjective, understood |

Source: McLean Parks, Kidder and Gallagher (1998)

Types (timeframe x performance terms)

| | | Performance Terms | |
|-----------|------------|---|---|
| Timeframe | | Specified | Non-specified |
| | | Transactional | Transitional |
| | Short Term | <ul style="list-style-type: none"> • Minimum ambiguity • High turnover/easy exit • Low employee commitment • Freedom to sign new contracts • Little learning • Low integration/identification | <ul style="list-style-type: none"> • Ambiguity/uncertainty • High turnover • Instability |
| | Long Term | Balanced | Relational |
| | | <ul style="list-style-type: none"> • High employee commitment • High integration/identification • Mutual employee/organization support • Dynamic | <ul style="list-style-type: none"> • High employee commitment • High affective commitment • High integration/identification • Stability |

Source: Alcover, 2002 (adapted from Rousseau, 1995)

Development

There are three main models attempting to explain the development of the psychological contract:

- Rousseau (1995),
- McFarlane Shore and Tetrick (1994), and
- Sparrow (1996)

Development


The three models essentially agree upon the main elements taking part in the PC developing process. Basically they suggest the existence of two types of factors:

- *Individual factors*: predispositions, information processing related cognitive variables, and expectations –these latter influenced by individual work related values and goals.

Development

- *Organization factors*: social information coming from coworkers, teams, and the messages sent by the organization through the various agents intervening in recruiting, selection, socialization, and promotion processes.

Content

- PC is job dependent
- Past vs current PC forms [see “New Deal” section below].
- Most literature highlights three basic components in PCs: trust, justice and distribution of agreements –basically contribution/gains balance. 

Content

PC as a multi-dimensional construct

| Organization Promises | Employee Promises |
|---------------------------|------------------------|
| Career development | Effort and performance |
| Job content | Flexibility |
| Social environment | Loyalty |
| Financial compensation | Ethical conduct |
| Work-private life balance | Availability |

Source: De Voos et al. (2001)

Functions

- PC leads to a reduction of uncertainty by filling up the gaps, i.e.:
 - Clearing ambiguities
 - Letting both parties know the course of future relationship.
 - Predicting behaviors



Functions

- PC as an internalized norm that shapes behavior
 - PC as a “sophisticated” way to turn employee hetero-control into self-control.

Functions

- PC gives the employee a feeling of influence on the terms that define employment relationships:
 - *“If organizations are to achieve and keep quality HRs in line with its goals, they have to pay closer attention to [employee] expectations and quality of life demands. They will not only fulfill legal contracts but also the ‘psychological contract’...”*
(Peiró, 1992).

Past vs Emergent Forms: A New Deal

| Characteristic | Past Form | Emergent Form |
|-----------------------------|---|--|
| Focus | Security, continuity, loyalty | Exchange, future employability |
| Format | Structured, predictable, stable. | Unstructured, flexible, open to (re)negotiation |
| Underlying basis | Tradition, fairness, social justice, socio-economic class | Market forces, saleable abilities and skills, added value. |
| Employer's responsibilities | Continuity, guaranteed job security, training and career development facilitator. | Equitable (as perceived) reward for added value. |
| Employee's responsibilities | Loyalty, attendance, satisfactory performance, compliance with authority. | Entrepreneurship and innovation, enacting changes to improve performance, excellent performance. |
| Contractual relations | Formalized, mostly via trade union or collective representation. | Individual responsibility to barter for their services (internally or externally) |
| Career management | Organization responsibility inspiring careers planned and facilitated through personnel department input. | Individual's responsibility, inspiring careers by personal reskilling and retraining. |

Source: Anderson and Schalk (1998). The Psychological Contract in Retrospect and Prospect.
Journal of Organizational Behavior, 19, 637-637

PC and outcome variables

- Two categories of outcome variables can be distinguished:

- Behaviors
- Attitudes

A stronger emphasis has been placed on attitudes vis-à-vis behaviors.

PC and outcome variables

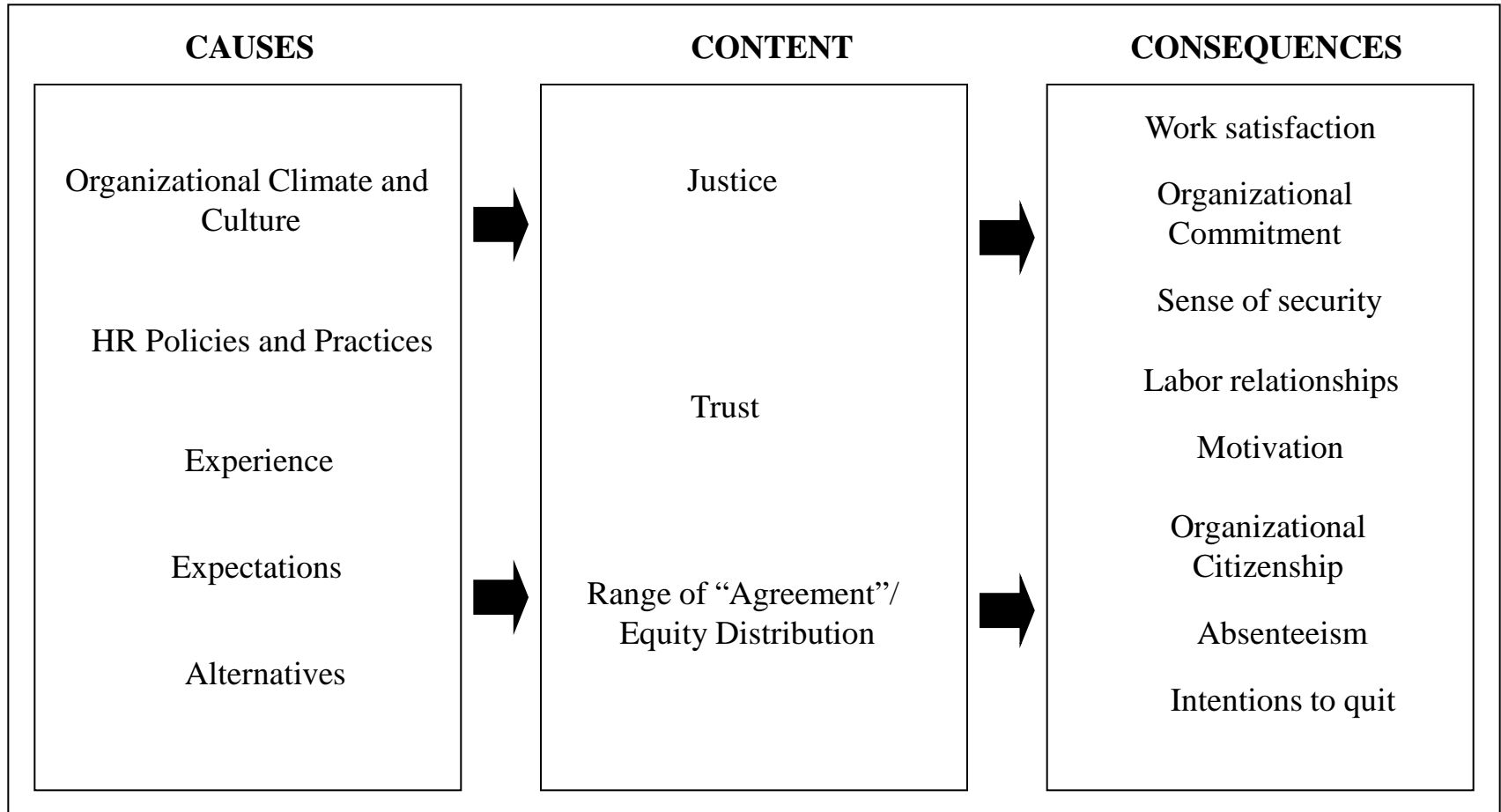
A number of outcome variables can be significantly influenced by the fulfillment -or lack of fulfillment- of PC (McLean, Kidder and Gallagher, 1998):

- Extra-role behaviors –particularly *organizational citizenship behavior*.
- Identification with organization
- Organizational commitment

PC and outcome variables

- Trust, i.e., expectations and beliefs that organizational agents' actions will help (or at least will not hamper) get individual achievements.
- Perceived breach or violation of PC –the organization does not fulfill some obligations the individual takes as a part of the contract not to be waived.
- Role conflict or incompatibility between the expectations of the different parties involved or conflict between different roles played by the same person.

PC and outcome variables



PC and outcome variables

Extra-role behaviors - definition

- They refer to spontaneous and intentional behaviors beyond existing role-related ones, for the benefit of the organization.
- They have much to do with innovation, initiative, proactivity and organizational climate.
- Extra-role behavior is one of the PC outcomes that have received closer attention by research.

PC and outcome variables

Extra-role behaviors - features

- Voluntary
- Intentional
- Positive
- Disinterested

PC and outcome variables

Extra-role behaviors - dimensions

- Caring behavior
- Sportsmanship
- Organizational loyalty
- Organizational conformity
- Individual initiative
- Civic virtue
- Self realization

Breach and violation of PC

- Flexible, dynamic and changing modern work environment increases the probability of psychological contract breach (Robinson, 1996).
- In a study by Robinson and Rousseau (1994), 55 percent of managers perceived their organizations had failed to keep their promises and obligations over the first 2 years of employment relationship.

Breach and violation of PC

- The key concept in PC theory is perceived contract breach (PCB).
- PCB refers to a perception by one of the parties to the contract that the other has failed to adequately fulfill promised obligations (Robinson, 1996).
- PCB goes well beyond a mere breach of expected rewards, extending to beliefs toward the organization and determining his/her trust in his/he employer and the perceived justice in the employment relationship.

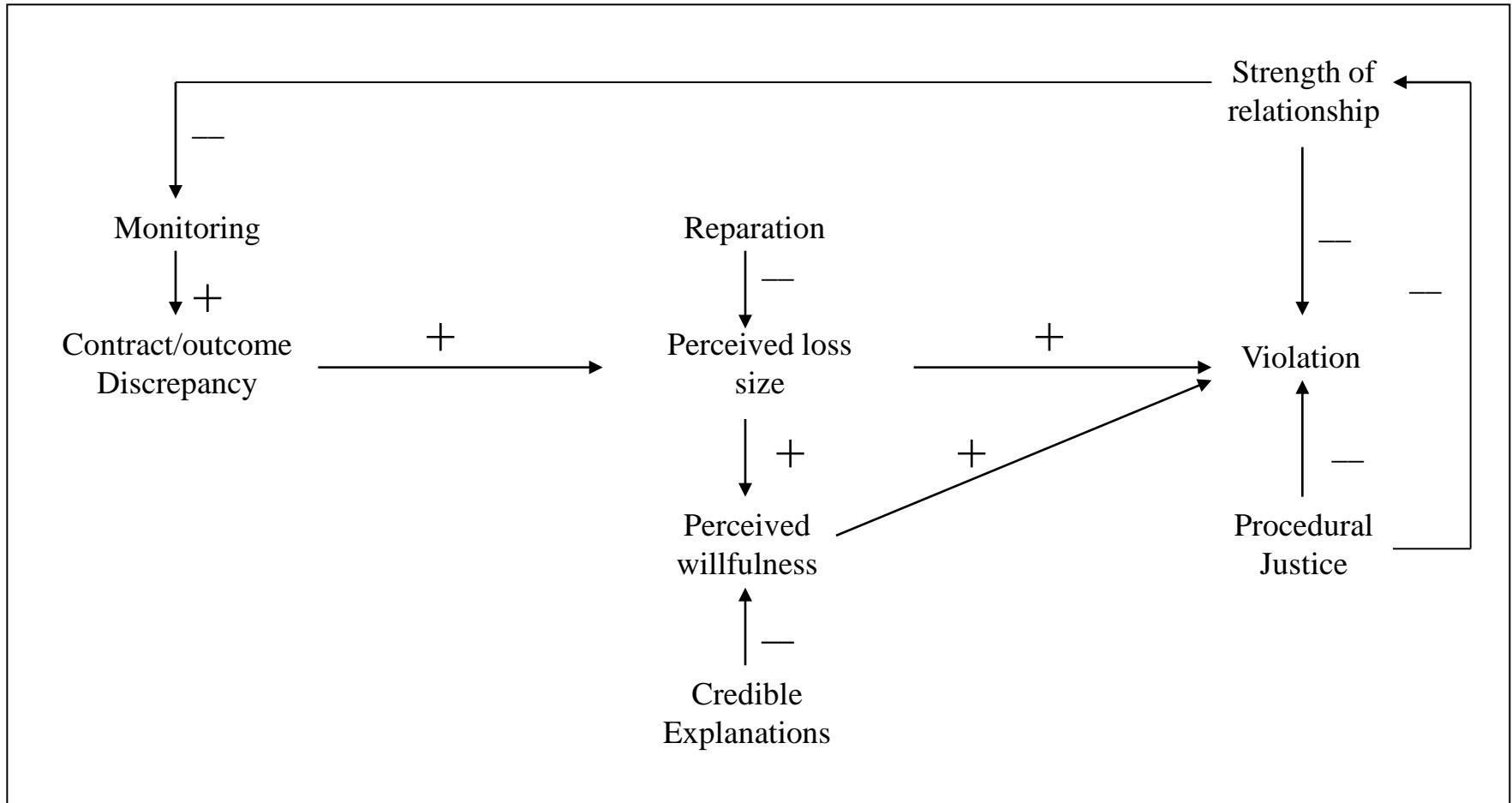
Breach and violation of PC

- PCB plays a crucial role in the field of employment relationships and influences negatively employee attitudes and behaviors.
- *Sensu strictu* PC Breach refers to the perceptive or cognitive component whereas PC Violation is the affective or emotional component.

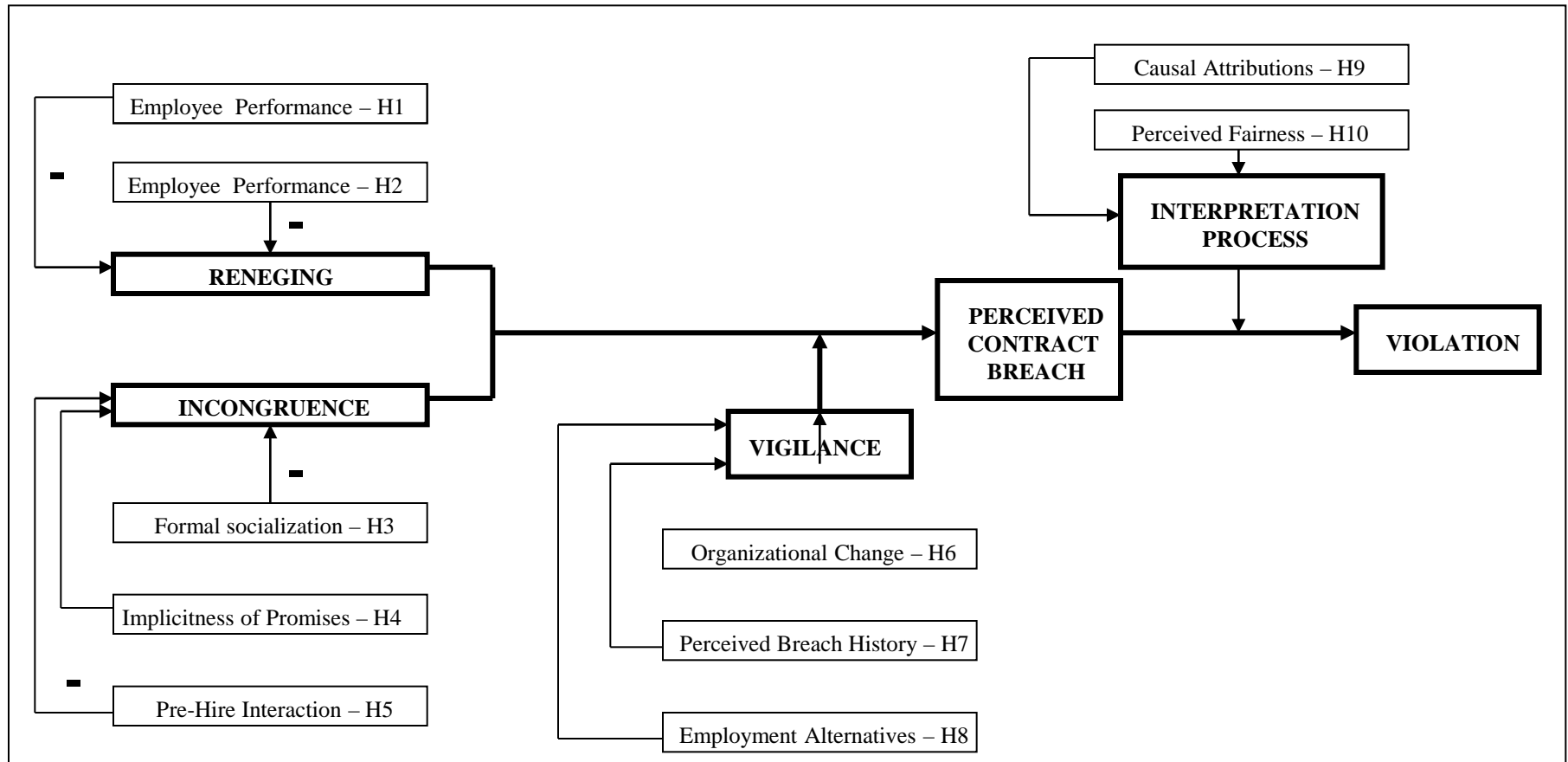
Breach and violation of PC

- According to Rousseau (1995), PC violation can take three forms:
 - Inadvertent violation
 - Disruptive or abrupt violation
 - Breach of PC

Breach and violation of PC



Breach and violation of PC



Factors predicting psychological contract breach and violation. Robinson and Morrison, 2000. The Development of psychological contract breach and violation. *Journal of Organizational Behavior*, 21, 525-546.

Breach and violation of PC

SOURCES OF VIOLATION BY CONTRACT MAKERS AND SYSTEMS

| Sources | Violations |
|------------------------|--|
| Contract Makers | |
| Recruiters | Unfamiliar with actual job, over-promise |
| Managers | Say one thing, do another |
| Co-workers | Failure to provide support |
| Mentors | Little follow-through, few interactions |
| Top management | Mixed messages |
| Systems | |
| Compensation | Changing criteria |
| Benefits | Reward seniority, low job security |
| Career paths | Dependent on one's manager |
| Performance review | Not done on time, little feedback |
| Training review | Skills learned not tied to job |
| Documentation | Stated procedures at odds with actual practice |

Source: Rousseau (1995)

Breach and violation of PC

EVLN Typology

| | Constructive | Destructive |
|---------|------------------------|----------------------------|
| Active | <i>Voice</i> | <i>Neglect/Destruction</i> |
| Passive | <i>Loyalty/Silence</i> | <i>Exit</i> |

Source: Rousseau, 1995

Conclusions

- PC is an intuitive construct, then having apparent validity and hence a great heuristic potential.
- PC integrates key attitudinal and motivational constructs and concepts involved in organizational behavior.
- PC has a deep effect on work behavior from recruitment stage to retirement or resignation.
- Although unwritten, PC play a key role in work behavior by better specifying the dynamics of employment relationship.

Conclusions

- PC appears to be a wide theoretical model entailing a considerable set of personal and organizational outcomes.
- Meta-analytically it has been shown the impact of PCB (PC perceived breach) on the increase of negative outcomes and on the decrease of desirable ones (Topa et al., 2008).
- The impact of breach on attitudinal outcomes seems to be stronger than the impact on behavioral outcomes.

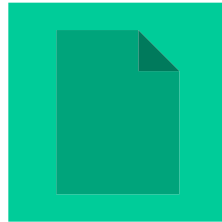
Conclusions

- The relationships between PCB and intention to leave, satisfaction, OCB and performance are mediated by trust and organizational commitment (Topa et al., 2008)
- Nevertheless, PC is differently shaped in different cultures, countries and organizations (e.g., public vs non public companies –which in its turn results in differences in PCB processes and consequences.
- Research is needed to check the effects of PCB on outcomes among different countries.

Conclusions

- Because of its great impact, PC should be taken into account at the time of planning recruitment and retention policies and watched for its fulfillment in the workplace.
- The armed forces would benefit a great deal by taking PC into consideration,
- In view of redundancy and overlapping of PC with other concepts, there is a need for common grounds on construct definition and operationalization –this will in turn lead to a more sound construct validity.

Practical Implications and Recommendations





Any comments,
Questions?